

OAK PARK SCHOOL DISTRICT
REPORT ON FINANCIAL STATEMENTS
(with required supplementary and additional information)
YEAR ENDED JUNE 30, 2006

CONTENTS

Page

Independent auditors' report	iv - v
---	--------

Management's Discussion and Analysis	vi - xii
---	----------

Basic financial statements

Government-wide financial statements

Statement of net assets	1
-------------------------------	---

Statement of activities	2
-------------------------------	---

Fund financial statements

Balance sheet - governmental funds	3
--	---

Statement of revenues, expenditures and changes in fund balances - governmental funds.....	4
---	---

Reconciliation of the statement of revenues, expenditures and changes in fund balances of governmental funds to the statement of activities.....	5
---	---

Fiduciary funds

Statement of fiduciary assets and liabilities	6
---	---

Notes to financial statements	7 - 22
-------------------------------------	--------

Required supplementary information	23
---	----

Budgetary comparison schedule - general fund	24
--	----

CONTENTS

	<u>Page</u>
Additional information	25
Nonmajor governmental fund types	
Combining balance sheet	26
Combining statement of revenues, expenditures, and changes in fund balances	27
Bonded debt.....	28 - 32



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Racek
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

INDEPENDENT AUDITORS' REPORT

To the Board of Education
Oak Park School District
Oak Park, Michigan

November 3, 2006

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oak Park School District, as of and for the year ended June 30, 2006, which collectively comprise the District's basic financial statements as listed in the table of contents. These financial statements are the responsibility of Oak Park School District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of Oak Park School District as of June 30, 2006 and the respective changes in financial position, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America.

To the Board of Education
Oak Park School District
Oak Park, Michigan

November 3, 2006

In accordance with *Government Auditing Standards*, we have also issued our report dated November 3, 2006, on our consideration of Oak Park School District's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis and budgetary comparison information on pages vi through xii and 24, are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Oak Park School District's basic financial statements. The additional information on pages 26 to 32 is presented for purposes of additional analysis and is not a required part of the basic financial statements. This additional information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Maner, Costrison & Ellis, P.C.

Certified Public Accountants

MANAGEMENT'S DISCUSSION AND ANALYSIS

During the 2005-06 fiscal year, the District continued to present Governmental Accounting Standards Board (GASB) Statement #34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments. This section of the Oak Park School District's annual financial report presents our discussion and analysis of the District's financial performance during the fiscal year that ended on June 30, 2006.

FINANCIAL HIGHLIGHTS

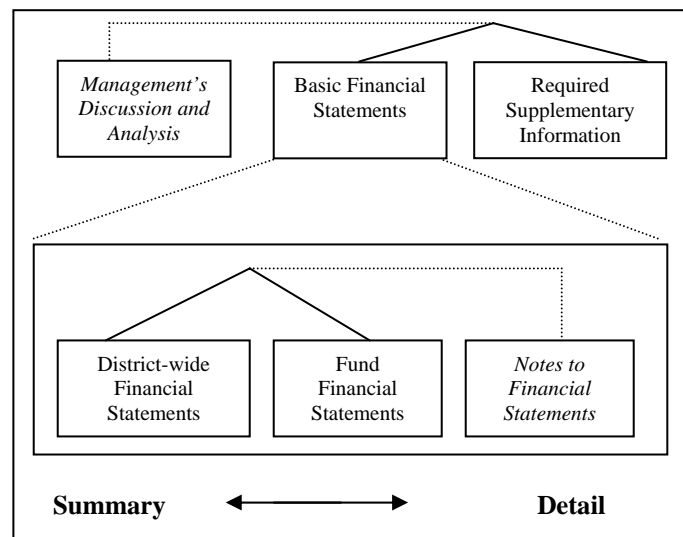
- Revenues slightly decreased to \$43.4 million. Expenditures increased 1.4 percent to \$47.6 million.
- General Fund revenues were \$38.2 million, \$5.6 million less than General Fund expenditures and transfers.
- State Aid Foundation Allowance remained increased by \$175 to \$7,894 per student.
- The District's fall student count decreased from 3,787 students to 3,575 students, a decrease of 212 students from last year.
- The total taxable value of property in the District increased 4.99 percent. The three-year average for taxable value increases remains strong at 4.59 percent.

OVERVIEW OF THE FINANCIAL STATEMENTS

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements and required supplementary information. The basic financial statements include two kinds of statements that present different views of the District:

- The first two statements are district-wide financial statements that provide both short-term and long-term information about the District's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the District, reporting the District's operations in more detail than the district-wide statements.
- The governmental funds statements tell how basic services like regular and special education were financed in the short-term as well as what remains for future spending.
- Fiduciary funds statements provide information about the financial relationships in which the District acts solely as a trustee or agent for the benefit of others.

Figure A-1
Organization of the Oak Park School
District Annual Financial Report



The financial statements also include *notes* that explain some of the information in the statements and provide more detailed data. The statements are followed by a section of *required supplementary information* that further explains and supports the financial statements with a comparison of the District's budget for the year. Figure A-1 shows how the various parts of this annual report are arranged and related to one another.

Figure A-2 Major Features of District-Wide and Fund Financial Statements			
Scope	District-wide Statements	Fund Financial Statements	
		Governmental Funds	Fiduciary Funds
	Entire district (except fiduciary funds)	The activities of the District that are not proprietary or fiduciary, such as special education and building maintenance.	Instances in which the District administers resources on behalf of someone else, such as scholarship programs and student activities monies
Required financial statements	* Statement of net assets * Statement of activities	* Balance sheet * Statement of revenues, expenditures and changes in fund balances	* Statement of fiduciary net assets * Statement of changes in fiduciary net assets
Accounting basis and measurement focus	Accrual accounting and economic resources focus	Modified accrual accounting and current financial resources focus	Accrual accounting and economic resources focus
Type of asset/liability information	All assets and liabilities, both financial and capital, short-term and long-term	Generally assets expected to be used up and liabilities that come due during the year or soon thereafter; no capital assets or long-term liabilities included	All assets and liabilities, both short-term and long-term, Oak Park Public School's funds do not currently contain capital assets, although they can
Type of inflow/outflow information	All revenues and expenses during year, regardless of when cash is received or paid	Revenues for which cash is received during or soon after the end of the year, expenditures when goods or services have been received and the related liability is due and payable	All additions and deductions during the year, regardless of when cash is received or paid

Figure A-2 summarized the major features of the District's financial statements, including the portion of the District's activities they cover and the types of information they contain. The remainder of this overview section of management's discussion and analysis highlights the structure and contents of each of the statements.

DISTRICT-WIDE STATEMENTS

The district-wide statements report information about the District as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes *all* of the District's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities regardless of when cash is received or paid.

The two district-wide statements report the District's *net assets* and how they have changed. Net assets – the difference between the District's assets and liabilities – are one way to measure the District's financial health or *position*.

- Over time, increases or decreases in the District's net assets are an indicator of whether its financial position is improving or deteriorating, respectively.
- To assess the overall health of the District, you need to consider additional non-financial factors such as changes in the District's property tax base and the condition of school buildings and other facilities.

In the district-wide financial statements, the District's activities:

- Governmental activities – Most of the District's basic services are included here, such as regular and special education, transportation and administration. Property taxes and state formula aid finance most of these activities.

FUND FINANCIAL STATEMENTS

The fund financial statements provide more detailed information about the District's *funds*, focusing on its most significant or "major" funds – not the District as a whole. Funds are accounting devices the District uses to keep track of specific sources of funding and spending on particular programs:

- Some funds are required by State law and by bond covenants.
- The District establishes other funds to control and manage money for particular purposes (like repaying its long-term debts) or to show that it is properly using certain revenues (like school lunch and athletics).

The District has two kinds of funds:

- Governmental funds – Most of the District's basic services are included in governmental funds, which generally focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the District's programs. Because this information does not encompass the additional long-term focus of the district-wide statements, we provide additional information with the governmental funds statements that explains the relationship (or differences) between them.
- Fiduciary funds – The District is the trustee, or fiduciary, for assets that belong to others, such as scholarship funds and the student activities funds. The District is responsible for ensuring that the assets reported in these funds are used only for their intended purposes and by those to whom the assets belong. We exclude these activities from the district-wide financial statements because the District cannot use these assets to finance its operations.

FINANCIAL ANALYSIS OF THE DISTRICT AS A WHOLE

Net assets (deficit) – The District's *combined* net loss for the year was (\$2,216,357). The prior year had net income of \$252,319.

Statement of Net Assets		
Table A-3		
	<u>2006</u>	<u>2005</u>
Current and other assets	\$ 12,084,422	\$ 9,366,907
Capital assets, net of depreciation	<u>12,004,187</u>	<u>11,799,161</u>
Total assets	<u>24,088,609</u>	<u>21,166,068</u>
Current liabilities	12,535,092	6,481,113
Long-term debt outstanding	<u>7,339,707</u>	<u>8,254,788</u>
Total liabilities	<u>19,874,799</u>	<u>14,735,901</u>
Net assets:		
Invested in capital assets, net of related debt	4,452,053	2,198,375
Restricted	3,056,292	1,388,469
Unrestricted	<u>(3,294,535)</u>	<u>2,843,323</u>
Total net assets	<u>\$ 4,213,810</u>	<u>\$ 6,430,167</u>

Changes in Net Assets		
Table A-4		
	<u>2006</u>	<u>2005</u>
Revenues:		
Program revenues:		
Charges for services	\$ 594,766	\$ 743,582
Federal and state categorical grants	11,190,276	10,477,594
General revenues:		
Property taxes	9,631,335	9,042,096
State aid - unrestricted	21,315,453	22,623,181
Other	<u>1,196,764</u>	<u>1,575,263</u>
Total revenues	<u>43,928,594</u>	<u>44,461,716</u>
Expenses:		
Instruction	27,520,731	26,242,291
Support services	15,182,823	14,849,619
Community services	617,964	446,299
Food services	1,265,923	1,308,218
Athletics	325,698	356,396
Interest on long-term debt	251,872	274,642
Unallocated depreciation	<u>979,940</u>	<u>731,932</u>
Total expenses	<u>46,144,951</u>	<u>44,209,397</u>
Change in net assets	<u>\$ (2,216,357)</u>	<u>\$ 252,319</u>

District Governmental Activities

The District seeks a balance between maximizing resources for the education of our students and maintaining the long-term financial health of the District. The governmental activities mirror that goal. Our support services seek to be efficient at providing the necessary safe, orderly, and positive learning environment so that more dollars are available for the direct instruction of students. Our before-and-after-care program, Kids Connection, and our school breakfast and lunch program seek to be self-supporting and cost effective.

- The state per pupil foundation allowance increased by \$175 to \$7,894.
- Food Service operated at a profit of \$326,709 on revenues of \$975,862.

FINANCIAL ANALYSIS OF THE DISTRICT'S FUNDS

As the District completed the year, its governmental funds reported *combined* fund balances of \$1.23 million.

The General Fund's fund balance decreased \$5.6 million to a \$1.96 million deficit.

General Fund Budgetary Highlights

The District is required to adopt an operating budget prior to the start of the fiscal year. Certain information is not known at the time of budget adoption, such as the amount of state aid, the actual number of students and the cost of employee contracts, and must be estimated or projected. Over the course of the budget year, the District revises the annual operating budget several times. For fiscal year 2005-06, these budget amendments included:

- Changes adopted during the fiscal year to account for final enrollment counts, changes in assumptions since the original budget was adopted.

The District historically used a budgetary concept called budget variance. Original budget was adopted with the assumption that a favorable budget variance would exist at year-end. Budget adjustments made in February and June of 2006 were constructed to more closely match actual versus budgeted revenues and expenditures. Actual budget variance at year-end June 30, 2006 was 3.2 percent of total budgeted expenses.

While the District's final budget for the general fund, net of the unfavorable budget variance, anticipated that expenses would exceed revenues by \$4.2 million, the actual results for the year show a \$5.6 million deficit or a variance of \$1,394,234.

CAPITAL ASSETS AND DEBT ADMINISTRATION

Capital Assets

By the end of 2006, the District had invested \$12 million in a broad range of capital assets, including school buildings, athletic and support facilities, computer and transportation equipment. This amount represents a net increase of \$205,026 from last year. (More detailed information about capital assets can be found in Note 5 to the financial statements.) Total depreciation expense for the year was \$979,940.

Capital Assets		
Table A-5		
	<u>2006</u>	<u>2005</u>
Land	\$ 341,499	\$ 341,499
Buildings and additions	16,473,166	16,267,330
Site improvements	886,065	886,065
Transportation equipment	1,246,763	1,246,763
Furniture and equipment	3,659,610	2,680,480
Subtotal	22,607,103	21,422,137
Accumulated depreciation	10,602,916	9,622,976
Total	<u>\$ 12,004,187</u>	<u>\$ 11,799,161</u>

Long-term Debt

At year-end the District had \$10.4 million in general obligation bonds and other long-term debt outstanding – a net decrease of 13 percent from last year. (More detailed information about the District's long-term liabilities is presented in Note 7 to the financial statements.)

- The District continued to pay down its debt, retiring \$1.8 million of outstanding bonds.
- The District leased copiers in the amount of \$633,073.

Outstanding Long-term Debt		
Table A-6		
	<u>2006</u>	<u>2005</u>
General obligation debts		
(financed with property taxes)	\$ 5,975,000	\$ 7,860,000
Limited obligation bonds	809,707	876,083
Compensated absences	1,452,094	1,050,804
Capital leases	767,427	623,564
Claims and judgments	400,000	
Total	<u>\$ 9,404,228</u>	<u>\$ 10,410,451</u>

FACTORS BEARING ON THE DISTRICT'S FUTURE

At the time these financial statements were prepared and audited, the District was aware of two existing circumstances that could significantly affect its financial health in the future:

- Student enrollment projections continue to be a concern for the District. The District embarked on an aggressive marketing campaign to recruit new students to the District in the Spring of 2006. The 2006-07 budget was built on a 3,400 fall student enrollment. The fall student enrollment exceeded 4,200 students.
- Uncertain economic times for the State of Michigan could cause the State to reduce the Governor's proposed increase in the foundation allowance of \$210 per student. This is the amount that we used to prepare the 2006-07 budget.

CONTACTING THE DISTRICT'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers, investors and creditors with a general overview of the District's finances and to demonstrate the District's accountability for the money it receives. If you have questions about this report or need additional information, contact the Administrative Offices, Oak Park School District, 13900 Granzon, Oak Park, Michigan 48237.

**OAK PARK SCHOOL DISTRICT
STATEMENT OF NET ASSETS
JUNE 30, 2006**

	Governmental activities
ASSETS	
CURRENT ASSETS:	
Cash	\$ 3,780,242
Receivables:	
Other governmental units	8,255,984
Interest	389
Inventories	6,624
Prepaid expenditures	41,183
TOTAL CURRENT ASSETS	12,084,422
NONCURRENT ASSETS:	
Capital assets	22,607,103
Less accumulated depreciation	(10,602,916)
TOTAL NONCURRENT ASSETS	12,004,187
TOTAL ASSETS	\$ 24,088,609
LIABILITIES AND NET ASSETS	
CURRENT LIABILITIES:	
Checks written against future deposits	\$ 2,140,252
Accounts payable	724,602
Note payable	4,100,000
Accrued interest	193,039
Accrued salaries and related items	2,781,859
Deferred revenue	530,819
Current portion of long-term obligations	1,999,521
Current portion of compensated absences	65,000
TOTAL CURRENT LIABILITIES	12,535,092
NONCURRENT LIABILITIES:	
Noncurrent portion of long-term obligations	5,552,613
Noncurrent portion compensated absences	1,387,094
Claims and judgements	400,000
TOTAL NONCURRENT LIABILITIES	7,339,707
TOTAL LIABILITIES	19,874,799
NET ASSETS:	
Invested in capital assets, net of related debt	4,452,053
Restricted for debt service	249,200
Restricted - capital projects (sinking fund)	2,807,092
Unrestricted deficit	(3,294,535)
TOTAL NET ASSETS	4,213,810
TOTAL LIABILITIES AND NET ASSETS	\$ 24,088,609

See notes to financial statements.

**OAK PARK SCHOOL DISTRICT
STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Functions/programs	Expenses	Program revenues		Governmental activities
		Charges for services	Operating grants	Net (expense) revenue and changes in net assets
Governmental activities:				
Instruction	\$ 27,520,731	\$	\$ 8,928,257	\$ (18,592,474)
Support services	15,182,823		1,561,122	(13,621,701)
Community services	617,964	274,906		(343,058)
Food services	1,265,923	304,799	670,976	(290,148)
Athletics	325,698	15,061		(310,637)
Interest on long-term debt	251,872		29,921	(221,951)
Unallocated depreciation	979,940			(979,940)
Total governmental activities	<u>\$ 46,144,951</u>	<u>\$ 594,766</u>	<u>\$11,190,276</u>	<u>(34,359,909)</u>
General revenues:				
Property taxes, levied for general purposes				5,634,506
Property taxes, levied for debt service				2,341,760
Property taxes, levied for sinking fund				1,655,069
Investment earnings				154,806
State sources				21,315,453
Other				<u>1,041,958</u>
Total general revenues				<u>32,143,552</u>
CHANGE IN NET ASSETS				<u>(2,216,357)</u>
NET ASSETS, beginning of year				<u>6,430,167</u>
NET ASSETS, end of year				<u>\$ 4,213,810</u>

OAK PARK SCHOOL DISTRICT
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2006

	General fund	Sinking fund	Other nonmajor governmental funds	Total governmental funds
ASSETS				
ASSETS:				
Cash	\$	\$ 3,264,917	\$ 515,325	\$ 3,780,242
Receivables:				
Other governmental units	7,754,498			7,754,498
Due from other funds	2,100,433	207,646	313,844	2,621,923
Interest		389		389
Inventories			6,624	6,624
Prepaid expenditures	41,183			41,183
TOTAL ASSETS	\$ 9,896,114	\$ 3,472,952	\$ 835,793	\$ 14,204,859

LIABILITIES AND FUND BALANCES

LIABILITIES:				
Checks written against future deposits	\$ 2,090,237	\$	\$ 50,015	\$ 2,140,252
Accounts payable	724,602			724,602
Accrued salaries and related items	2,781,859			2,781,859
Accrued interest	46,930			46,930
Deferred revenue	530,819			530,819
Note payable	4,100,000			4,100,000
Due to other funds	1,579,061	665,860	377,002	2,621,923
TOTAL LIABILITIES	11,853,508	665,860	427,017	12,946,385

	General fund	Sinking fund	Other nonmajor governmental funds	Total governmental funds
FUND BALANCES:				
Reserved for debt service	\$	\$	\$ 395,309	\$ 395,309
Reserved for prepaid expenditures	41,183			41,183
Designated for subsequent year's expenditures		2,807,092		2,807,092
Undesignated, unreserved	(1,998,577)		13,467	(1,985,110)
TOTAL FUND BALANCES (DEFICIT)	(1,957,394)	2,807,092	408,776	1,258,474
TOTAL LIABILITIES AND FUND BALANCES	\$ 9,896,114	\$ 3,472,952	\$ 835,793	\$ 14,204,859
TOTAL GOVERNMENTAL FUND BALANCES				\$ 1,258,474

Amounts reported for governmental activities in the statement of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds

The cost of the capital assets is \$ 22,607,103
Accumulated depreciation is (10,602,916)

12,004,187

Long-term liabilities are not due and payable in the current period and are not reported in the funds:

Bonds payable (6,784,707)
Capital lease payable (767,427)
Claims and judgements (400,000)
Compensated absences (1,452,094)

Accrued interest is not included as a liability in government funds, it is recorded when paid (146,109)

Federal grants receivable at June 30, 2006 collected after September 1, 2006 501,486

Net assets of governmental activities \$ 4,213,810

OAK PARK SCHOOL DISTRICT
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
YEAR ENDED JUNE 30, 2006

	General fund	Sinking fund	Other nonmajor governmental funds	Total governmental funds
REVENUES:				
Local sources:				
Property taxes	\$ 5,634,506	\$ 1,655,069	\$ 2,341,760	\$ 9,631,335
Community services and tuition	274,906			274,906
Investment income	52,568	94,393	7,845	154,806
Other	1,041,958		319,860	1,361,818
Total local sources	7,003,938	1,749,462	2,669,465	11,422,865
State sources	24,691,872		166,444	24,858,316
Federal sources	3,861,330		600,829	4,462,159
Intermediate sources	2,683,768			2,683,768
Total revenues	38,240,908	1,749,462	3,436,738	43,427,108
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	17,945,251			17,945,251
Added needs	7,512,666			7,512,666
Adult and community education	1,341,782			1,341,782
Total instruction	26,799,699			26,799,699
Support services:				
Pupil	1,892,259			1,892,259
Instructional staff	2,576,056			2,576,056
General administration	1,104,431			1,104,431
School administration	1,511,494			1,511,494
Operations and maintenance	5,161,026			5,161,026
Pupil transportation services	1,630,294			1,630,294
Central	209,183			209,183
Business	1,537,386			1,537,386
Total support services	15,622,129			15,622,129
EXPENDITURES (Concluded):				
Current (Concluded):				
Athletics	\$	\$	\$ 325,698	\$ 325,698
Community services	617,964			617,964
Food service			1,265,923	1,265,923
Capital outlay		324,206	462,022	786,228
Debt service:				
Principal retirement			1,951,376	1,951,376
Interest and fiscal charges			258,859	258,859
Total expenditures	43,039,792	324,206	4,263,878	47,627,876
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(4,798,884)	1,425,256	(827,140)	(4,200,768)
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease	264,689			264,689
Operating transfers in			1,076,251	1,076,251
Operating transfers out	(1,076,251)			(1,076,251)
Total other financing sources (uses)	(811,562)		1,076,251	264,689
NET CHANGE IN FUND BALANCES	(5,610,446)	1,425,256	249,111	(3,936,079)
FUND BALANCES (DEFICIT):				
Beginning of year	3,653,052	1,381,836	159,665	5,194,553
End of year	\$ (1,957,394)	\$ 2,807,092	\$ 408,776	\$ 1,258,474

**OAK PARK SCHOOL DISTRICT
RECONCILIATION OF THE STATEMENT OF REVENUES,
EXPENDITURES AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
YEAR ENDED JUNE 30, 2006**

Net change in fund balances total governmental funds	\$ (3,936,079)
Amounts reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures in the statement of activities.	
These costs are allocated over their estimated useful lives as depreciation.	
Depreciation expense	(979,940)
Capital outlay	1,184,966
Accrued interest on bonds is recorded in the statement of activities	
when incurred; it is not recorded in governmental funds until it is paid:	
Accrued interest payable, beginning of the year	153,096
Accrued interest payable, end of the year	(146,109)
Proceeds and repayments of principal on long-term debt are other financing	
sources and expenditures in the governmental funds, but not in the statement of activities	
(where they are additions and reductions of liabilities)	
Repayment of principal on long-term debt	2,072,202
Proceeds from capital lease	(264,689)
Claims and judgments are reported on the statement of activities when incurred;	
they are not recorded in the government funds until it is paid	
	(400,000)
Revenue is recorded on the accrual method in the statement of activities; in the governmental	
funds it is recorded on the modified accrual method and is not considered available:	
Deferred revenue end of the year	501,486
Compensated absences are reported on the accrual method in the statement of activities,	
and recorded as an expenditure when financial resources are used in the governmental funds:	
Accrued compensated absences and severance benefits, beginning of the year	1,050,804
Accrued compensated absences and severance benefits, end of the year	(1,452,094)
Change in net assets of governmental activities	<u><u>\$ (2,216,357)</u></u>

**OAK PARK SCHOOL DISTRICT
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2006**

	<u>Agency</u>
ASSETS	
Cash	<u>\$ 107,843</u>
LIABILITIES	
Due to student groups	\$ 70,805
Payable - Oak Park School District	<u>37,040</u>
	<u>\$ 107,843</u>

OAK PARK SCHOOL DISTRICT NOTES TO FINANCIAL STATEMENTS

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The basic financial statements of the Oak Park School District have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the District's accounting policies are described below.

A. Reporting Entity

The Oak Park School District (the "District") is governed by the Oak Park School District's Board of Education (the "Board"), which has responsibility and control over all activities related to public school education within the District. The District receives funding from local, state, and federal government sources and must comply with all of the requirements of these funding source entities. However, the District is not included in any other governmental reporting entity as defined by the accounting principles generally accepted in the United States of America. Board members are elected by the public and have decision-making authority, the power to designate management, the ability to significantly influence operations, and the primary accountability for fiscal matters. In addition, the District's reporting entity does not contain any component units as defined in Governmental Accounting Standards Board Statement No. 14 and 39.

B. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the District. For the most part, the effect of interfund activity has been removed from these statements. The government-wide financial statements categorize primary activities as either governmental or business type. All of the District's activities are classified as governmental activities.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges paid by recipients who purchase, use or directly benefit from goods or services by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. State Foundation Aid, certain revenue from the intermediate school district and other unrestricted items are not included as program revenues but instead as *general revenues*.

In the government-wide statement of net assets, the governmental activities column (a) is presented on a consolidated basis, (b) and is reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The District's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The District first utilizes restricted resources to finance qualifying activities.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

The government-wide statement of activities reports both the gross and net cost of each of the District's functions. The functions are also supported by general government revenues (property taxes, certain intergovernmental revenues and other revenue.) The statement of activities reduces gross expenses by related program revenues and operating grants. Program revenues must be directly associated with the function. Operating grants include operating-specific and discretionary (either operating or capital) grants.

The net costs (by function) are normally covered by general revenue (property taxes, state sources, intermediate district sources, interest income and other revenues.)

The District does not allocate indirect costs.

This government-wide focus is more on the sustainability of the District as an entity and the change in the District's net assets resulting from the current year's activities.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter are excluded from government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

Governmental Funds – Governmental funds are those funds through which most school district functions typically are financed. The acquisition, use and balances of the school district's expendable financial resources and the related current liabilities are accounted for through governmental funds.

The District reports the following major governmental funds:

The *general fund* is the District's primary operating fund. It accounts for all financial resources of the District, except those required to be accounted for in another fund.

The *capital projects sinking fund* accounts for the receipt of sinking fund millage proceeds and the acquisition of fixed assets or construction of capital projects. The District has complied with the applicable provisions of § 1212(1) of the Revised School Code and the State of Michigan Department of Treasury Letter No. 01-95 relating to sinking funds.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Concluded)

Other Non-major Funds

The *special revenue funds* account for revenue sources that are legally restricted to expenditures for specific purposes (not including expendable trusts or major capital projects). The District accounts for its food service and athletic activities in the special revenue funds. At June 30, 2006 the food service fund had a deficit fund balance of \$90,061.

The *debt service funds* accounts for the resources accumulated and payments made for principal and interest on long-term general obligation debt of governmental funds.

The *capital projects* fund accounts for the receipt of debt proceeds and the acquisition of fixed assets or construction of major capital projects.

The Durant capital projects fund includes capital project activities funded with bonds issued after May 1, 1994. For these capital projects, the District has complied with the applicable provisions of § 1351a of the Revised School Code. The District closed out its Durant capital projects fund during the current year. Current year expenditures were \$241,139.

Fiduciary funds account for assets held by the District in a trustee capacity or as an agent on behalf of others. Trust funds account for assets held by the District under the terms of a formal trust agreement. Fiduciary funds are not included in the government-wide statements.

The *agency fund* is custodial in nature and does not present results of operations or have a measurement focus. Agency funds are accounted for using the modified accrual basis of accounting. This fund is used to account for assets that the District holds for others in an agency capacity (primarily student activities).

C. Measurement Focus, Basis of Accounting and Basis of Presentation

Accrual Method

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in the government-wide financial statements to the extent that those standards do not conflict with or contradict guidance of the Government Accounting Standards Board.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting and Basis of Presentation (Concluded)

Modified Accrual Method

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the District considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

State Revenue

The State of Michigan utilizes a foundation grant approach which provides for a specific annual amount of revenue per pupil based on a statewide formula. The Foundation is funded from state and local sources. Revenues from state sources are primarily governed by the School Aid Act and the School Code of Michigan. The Michigan Department of Education administers the allocation of state funds to school districts based on information supplied by the districts. For the year ended June 30, 2006, the foundation allowance was based on pupil membership counts taken in February and September of 2005.

The state portion of the foundation is provided primarily by a state education property tax millage of 6 mills and an allocated portion of state sales and other taxes. The local portion of the foundation is funded primarily by non-homestead property taxes which may be levied at a rate of up to 18 mills. The State revenue is recognized during the foundation period and is funded through payments from October 2005 to August 2006. Thus, the unpaid portion at June 30th is reported as due from other governmental units.

The District also receives revenue from the state to administer certain categorical education programs. State rules require that revenue earmarked for these programs be used for its specific purpose. Categorical funds which are not expended by the close of the fiscal year are recorded as deferred revenue.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies

1. Cash and equivalents include amounts in demand deposits and certificates of deposit.

The District reports its investments in accordance with GASB Statement No. 31, *Accounting and Financial Reporting for Certain Investments and for External Investment Pools* and No. 40, *Deposits and Investment Risk Disclosures*. Under these standards, certain investments are valued at fair value as determined by quoted market prices, or by estimated fair values when quoted market prices are not available. The standards also provide that certain investments are valued at cost (or amortized cost) when they are of a short-term duration, the rate of return is fixed, and the district intends to hold the investment until maturity. Accordingly, investments in banker acceptances and commercial paper are recorded at amortized cost.

State statutes authorize the District to invest in bonds and other direct and certain indirect obligations of the U.S. Treasury; certificates of deposit, savings accounts, deposit accounts, or depository receipts of a bank, savings and loan association, or credit union, which is a member of the Federal Deposit Insurance Corporation, Federal Savings and Loan Insurance Corporation, or National Credit Union Administration, respectively; in commercial paper rated at the time of purchase within the three highest classifications established by not less than two standard rating services and which matures not more than 270 days after the date of purchase. The District is also authorized to invest in U.S. Government or federal agency obligation repurchase agreements, bankers' acceptances of U.S. banks, and mutual funds composed of investments as outlined above.

2. Property taxes

Property taxes levied by the District are collected by various municipalities and periodically remitted to the District. The taxes are levied and become a lien as of July 1 and December 1 and are due upon receipt of the billing by the taxpayer and become a lien on the first day of the levy year. The actual due dates are September 14 and February 14, after which time the bills become delinquent and penalties and interest may be assessed by the collecting entity.

For the year ended June 30, 2006, the District levied the following amounts per \$1,000 of assessed valuation:

<u>Fund</u>	<u>Mills</u>
General Fund - Non-homestead	18.0000
Debt service fund-Homestead and non-homestead	4.0800
Sinking fund-Homestead and non-homestead	2.9197

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

D. Other Accounting Policies (Continued)

3. Inventories and prepaid expenditures

Inventories are valued at the lower of cost (first-in, first-out) or market. Inventories consisting of expendable supplies held for consumption, are recorded as expenditures when consumed rather than when purchased. Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenditures.

4. Receivables and payables

Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

All receivables, including property taxes receivable, are shown net of an allowance for uncollectibles.

5. Capital assets

Capital assets purchased or acquired are capitalized at historical cost or estimated historical cost. Donated fixed assets are valued at their estimated fair market value on the date received.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related fixed assets.

Depreciation on all assets is provided on the straight-line basis over the estimated useful lives as follows:

Buildings and building improvements	20 - 53 years
Buses and other vehicles	2 - 17 years
Furniture and other equipment	5 - 20 years

The District's capitalization policy is to capitalize individual amounts exceeding \$5,000.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Concluded)

D. Other Accounting Policies (Concluded)

6. Compensated absences

The District's contracts generally provide for granting vacation and sick leave with pay. The current and long-term liability for compensated absences is reported on the government-wide financial statements. A liability for these amounts, including related benefits, is reported in governmental funds only if they have matured, for example, as a result of employee leave, resignations or retirements.

7. Long-term obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities on the statement of net assets. Bond premiums and discounts, as well as issuance costs and the difference between the reacquisition price and the net carrying amount of the old debt, are deferred and amortized over the life of the bonds using the straight line method, which approximates the effective interest method, over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

8. Use of estimates

The process of preparing financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions regarding certain types of assets, liabilities, revenues, and expenditures. Such estimates primarily relate to unsettled transactions and events as of the date of the financial statements. Accordingly, upon settlement, actual results may differ from estimated amounts.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 2 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgets are adopted on a basis consistent with accounting principles generally accepted in the United States of America. Annual appropriated budgets are adopted for the general and special revenue funds.

The District follows these procedures in establishing the budgetary data reflected in the financial statements:

1. The Superintendent submits to the School Board a proposed operating budget for the fiscal year commencing on July 1. The operating budget includes proposed expenditures and the means of financing them. The level of control for the budgets is at the functional level as set forth and presented as required supplementary information.
2. Public hearings are conducted to obtain taxpayer comments.
3. Prior to July 1, the budget is legally adopted by School Board resolution pursuant to the Uniform Budgeting and Accounting Act (1968 PA 2). The Act requires that the budget be amended prior to the end of the fiscal year when necessary to adjust appropriations if it appears that revenues and other financing sources will be less than anticipated or so that expenditures will not be in excess of original estimates. Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, for the general fund are noted in the required supplementary information section.

Expenditures shall not be made or incurred, unless authorized in the budget, in excess of the amount appropriated. Violations, if any, in the general fund are noted in the required supplementary information section.

4. The Executive Director of Business and Finance is authorized to transfer budgeted amounts between major expenditure functions within any fund; however, these transfers and any revisions that alter the total expenditures of any fund must be approved by the School Board.
5. Formal budgetary integration is employed as a management control device during the year for the general and special revenue funds.
6. The budget was amended during the year with supplemental appropriations, the last one approved prior to June 30, 2006. The District does not consider these amendments to be significant.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 3 - DEPOSITS AND INVESTMENTS - CREDIT RISK

Disclosure of the District's investment position at June 30, 2006 is not significant.

Interest rate risk. The District does not have a formal investment policy that limits investment maturities as a means of managing its exposure to fair value losses arising from increasing interest rates.

Credit risk. State law limits investments in commercial paper, corporate bonds and mutual bond funds to the top two ratings issued by nationally recognized statistical rating organizations. The District has no investment policy that would further limits its choices.

Concentration of credit risk. The District places no limit on the amount the District may invest in any one issuer.

Custodial credit risk - deposits. In the case of deposits, this is the risk that in the event of a bank failure, the District's deposits may not be returned to it. As of June 30, 2006, \$1,755,457 of the District's bank balance of \$1,855,457 was exposed to custodial credit risk because it was uninsured and collateralized with securities held by the pledging financial institution's trust department or agent, but not in the District's name. Included in the above figures are certificates of deposits of \$1,433,306.

Custodial credit risk - investments. For an investment, this is the risk that, in the event of the failure of the counterparty, the District will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party

The District will minimize custodial credit risk, which is the risk of loss due to the failure of the security issuer or backer, by; limiting investments to the types of securities allowed by law; and pre-qualifying the financial institutions, broker/dealers, intermediaries and advisors with which the District will do business.

Foreign currency risk. The District is not authorized to invest in investments which have this type of risk.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 4 - RECEIVABLES

Receivables at June 30, 2006 consist of the following:

	<u>General fund</u>
Other governmental units:	
State aid	\$ 4,583,018
Federal revenue	899,472
Oakland County	1,657,071
Intermediate sources and other	<u>614,937</u>
	<u><u>\$ 7,754,498</u></u>

No allowance for doubtful accounts is considered necessary based on previous experience.

NOTE 5 - CAPITAL ASSETS

A summary of changes in the District's capital assets follows:

	<u>Balance July 1, 2005</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2006</u>
Assets not being depreciated:				
Land	\$ 341,499	<u>\$</u>	<u>\$</u>	<u>\$ 341,499</u>
Other capital assets:				
Buildings and additions	16,267,330	205,836		16,473,166
Site improvements	886,065			886,065
Transportation equipment	1,246,763			1,246,763
Furniture and equipment	<u>2,680,480</u>	<u>979,130</u>		<u>3,659,610</u>
Subtotal	<u>21,080,638</u>	<u>1,184,966</u>		<u>22,265,604</u>
Accumulated depreciation:				
Buildings and additions	6,791,263	392,033		7,183,296
Site improvements	258,023	35,443		293,466
Transportation equipment	870,624	111,540		982,164
Furniture and equipment	<u>1,703,066</u>	<u>440,924</u>		<u>2,143,990</u>
Total accumulated depreciation	<u>9,622,976</u>	<u>979,940</u>		<u>10,602,916</u>
Net capital assets being depreciated	<u>11,457,662</u>	<u>205,026</u>		<u>11,662,688</u>
Net governmental capital assets	<u><u>\$ 11,799,161</u></u>	<u><u>\$ 205,026</u></u>	<u><u>\$</u></u>	<u><u>\$ 12,004,187</u></u>

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 5 - CAPITAL ASSETS (Concluded)

Depreciation for the fiscal year ended June 30, 2006 amounted to \$979,940. The District allocated depreciation to the various activities as follows:

Unallocated	<u><u>\$ 979,940</u></u>
-------------	--------------------------

Unallocated depreciation represents the assets that serve multiple functions and thus it would be impractical to allocate the depreciation.

NOTE 6 - NOTE PAYABLE

At June 30, 2006, the District has a note payable outstanding of \$4,100,000. The note has an interest rate of 4.65% and matures August 30, 2006. The note is secured by the full faith and credit of the District as well as pledged state aid.

Balance <u>June 30, 2005</u>	<u>Additions</u>	<u>Payments</u>	Balance <u>June 30, 2006</u>
<u><u>\$ -</u></u>	<u><u>\$ 4,100,000</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 4,100,000</u></u>

The District has approved a note payable of \$5,900,000 for the fiscal year ending June 30, 2007.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT

The District issues general obligation bonds to provide funds for the acquisition, construction and improvement of major capital facilities. General obligation bonds are direct obligations and pledge the full faith and credit of the District.

The following is a summary of long term obligations for the District for the year ended June 30, 2006:

	General obligation bonds	Limited obligations bonds	Compensated absences	Capital leases	Claims and judgements	Total
Balance July 1, 2005	\$ 7,860,000	\$ 876,083	\$ 1,050,804	\$ 623,564	\$	\$ 10,410,451
Additions			401,290	264,689	400,000	1,065,979
Deletions	<u>(1,885,000)</u>	<u>(66,376)</u>		<u>(120,826)</u>		<u>(2,072,202)</u>
Balance June 30, 2006	5,975,000	809,707	1,452,094	767,427	400,000	9,404,228
Less current portion	<u>(1,930,000)</u>	<u>(69,521)</u>	<u>(65,000)</u>			<u>(2,064,521)</u>
Total due after one year	<u>\$ 4,045,000</u>	<u>\$ 740,186</u>	<u>\$ 1,387,094</u>	<u>\$ 767,427</u>	<u>\$ 400,000</u>	<u>\$ 7,339,707</u>

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Continued)

Bonds payable at June 30, 2006 is comprised of the following issues:

2003 refunding serial bonds due in annual installments of \$1,385,000 to \$1,555,000 through May 1, 2009 with interest from 2.50% to 3.00%	\$ 4,425,000
--	--------------

2004 refunding serial bonds due in annual installments of \$495,000 to \$545,000 through May 1, 2009 with interest from 2.00% to 2.75%	1,550,000
--	-----------

1998 limited obligation bonds (Durant bonds) due in annual installments of \$69,521 to \$320,511 through May 15, 2013, with interest at 4.76%. Certain state aid payments have been pledged as security.	<u>809,707</u>
---	----------------

Total bonded debt	6,784,707
-------------------	-----------

Capital leases - May 2005 28 copiers. At the end of the lease agreement, the District will own the copiers. Monthly installments of \$11,706 through May 18, 2010, with interest at 4.16%.	506,844
--	---------

Capital leases - May 2006 phone system. At the end of the lease agreement, the District will own the phone equipment. Down payment of \$250,000 followed by monthly installments of \$5,116 through April 1, 2011, with interest at 4.58%.	<u>260,583</u>
--	----------------

Total interest-bearing debt	7,552,134
-----------------------------	-----------

Compensated absences	1,452,094
Claims and judgements	<u>400,000</u>

Total general long-term debt	<u><u>\$ 9,404,228</u></u>
------------------------------	----------------------------

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 7 - LONG-TERM DEBT (Concluded):

The annual requirements to amortize long-term obligations outstanding exclusive of compensated absences payments as of June 30, 2006, including interest of \$657,214 are as follows:

Year ending June 30,	Principal	Interest	Total
2007	\$ 2,171,706	\$ 240,301	\$ 2,412,007
2008	2,895,221	273,635	3,168,856
2009	2,313,882	94,542	2,408,424
2010	264,006	22,447	286,453
2011	127,665	13,359	141,024
2012-2013	179,654	12,930	192,584
	<u>\$ 7,952,134</u>	<u>\$ 657,214</u>	<u>\$ 8,609,348</u>

The Durant bonds, including interest, was issued in anticipation of payment to the District as appropriated and to be appropriated by the State of Michigan under Section 11g(3) of Act 94 (State Aid payments). The District has pledged and assigned to the bondholder all rights to these State Aid payments as security for the Bond.

Interest expense (all funds) for the year ended June 30, 2006 was \$282,106.

In prior years, the District defeased certain bonds by placing the proceeds of new bonds in an irrevocable trust to provide for future debt service payments on the old bonds. Accordingly, the trust accounts assets and liabilities for the defeased bonds are not included in the basic financial statements. At June 30, 2006, approximately \$10,500,000 of bonds outstanding are considered defeased.

The District, as well as certain employees of the District, are defendants in various lawsuits. Although the outcome of these lawsuits is not presently determinable, the District has recorded \$400,000 of claims and judgments payable, which is the District's insurance deductible, on the district-wide financial statements.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 8 - INTERFUND RECEIVABLES AND PAYABLES

Interfund payable and receivable balances at June 30, 2006 are as follows:

Receivable fund		Payable fund	
General	\$ 2,100,433	General	\$ 1,579,061
Debt service	309,267	Debt service	309,985
Food service	4,577	Food service	51,247
Sinking fund	207,646	Athletics	15,770
		Sinking fund	665,860
	<u>\$ 2,621,923</u>		<u>\$ 2,621,923</u>

The outstanding balances between funds result mainly from the time lag between the dates that (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made.

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN

Plan Description - The District contributes to the statewide Michigan Public School Employees' Retirement System (MPERS), a cost sharing multiple-employer state-wide defined benefit public employee retirement plan governed by the State of Michigan. The MPERS provides retirement survivor and disability benefits and postretirement benefits for health, dental and vision for substantially all employees of the District. The MPERS was established by Public Act 136 of 1945 and operated under the provisions of Public Act 300 of 1980, as amended. The MPERS issues a publicly available financial report that includes financial statements and required supplementary information for MPERS. That report may be obtained by writing to Michigan Public School Employees Retirement System, P.O. Box 30171, Lansing, Michigan 48909-7671 or by calling (800) 381-5111.

Funding Policy - Member Investment Plan (MIP) members enrolled in MIP prior to January 1, 1990 contribute a permanently fixed rate of 3.9% of gross wages. The MIP contribution rate was 4.0% from January 1, 1987, the effective date of the MIP, until January 1, 1990 when it was reduced to 3.9%. Members first hired January 1, 1990 or later and returning members who did not work between January 1, 1987 through December 31, 1989 contribute at the following graduated permanently fixed contribution rate: 3% of the first \$5,000; 3.6% of \$5,001 through \$15,000; 4.3% of all wages over \$15,000.

Basic Plan members make no contributions. For a limited period ending December 31, 1992, an active Basic Plan member could enroll in the MIP by paying the contributions that would have been made had enrollment occurred initially on January 1, 1987 or on the date of hire, plus interest. MIP contributions at the rate of 3.9% of gross wages begin at enrollment. Actuarial rate interest is posted to member accounts on July 1st on all MIP monies on deposit for 12 months. If a member leaves MPERS service and no pension is payable, the member's accumulated contribution plus interest, if any, are refundable.

**OAK PARK SCHOOL DISTRICT
NOTES TO FINANCIAL STATEMENTS**

NOTE 9 - EMPLOYEE RETIREMENT SYSTEM - DEFINED BENEFIT PLAN (Concluded)

The District is required to contribute the full actuarial funding contribution amount to fund pension benefits, plus an additional amount to fund retiree health care benefit amounts on a cash disbursement basis. For the year ended June 30, 2006, the rate was 14.87% of payroll through October 1, 2005 and increased to 16.34% for the remainder of the fiscal year. The contribution requirements of plan members and the District are established and may be amended by the MPSERS Board of Trustees. The District contributions to MPSERS for the year ended June 30, 2006, 2005 and 2004 were \$3,698,650, \$3,463,419 and \$3,975,609, respectively, and were equal to the required contribution for those years.

The District is not responsible for the payment of retirement benefits, which is the responsibility of the State of Michigan.

Other Post-employment Benefits - Retirees have the option of health coverage, which is funded on a cash disbursement basis by the employers. The System has contracted to provide the comprehensive group medical, hearing, dental and vision coverages for retirees and beneficiaries. A significant portion of the premiums is paid by the System with the balance deducted from the monthly pension.

NOTE 10 - RISK MANAGEMENT

The District is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees' and natural disasters. The District participates in two distinct pools of educational institutions within the State of Michigan for self-insuring property and casualty and workers' disability compensation. The pools are considered public entity risk pools. The District pays annual premiums under a retrospectively rated policy to the pools for the respective insurance coverage. In the event a pool's total claims and expenses for a policy year exceed the total normal annual premiums for said years, all members of the specific pool's policy year may be subject to special assessment to make up the deficiency. The workers' compensation pool and the property casualty pool maintain reinsurance for claims generally in excess of \$500,000 for each occurrence with the overall maximum coverage varying depending on the specific type coverage of reinsurance.

The District continues to carry commercial insurance for other risks of loss, including employee health and accident insurance. No settlements have occurred in excess of coverage for June 30, 2006 or any of the prior three years.

NOTE 11 - TRANSFERS

The general fund transferred \$459,481 to the athletic fund and \$616,770 to the food service fund during the current fiscal year. The transfer to the athletic fund and the food service fund was to subsidize operations.

REQUIRED SUPPLEMENTARY INFORMATION

**OAK PARK SCHOOL DISTRICT
REQUIRED SUPPLEMENTAL INFORMATION
BUDGETARY COMPARISON SCHEDULE
GENERAL FUND
YEAR ENDED JUNE 30, 2006**

	Original budget	Final budget	Actual	Variance with final budget positive (negative)
REVENUES:				
Local	\$ 6,502,533	\$ 7,140,802	\$ 7,003,938	\$ (136,864)
State sources	25,625,182	24,610,432	24,691,872	81,440
Federal sources	3,353,558	5,171,772	3,861,330	(1,310,442)
Intermediate sources	2,543,000	2,663,260	2,683,768	20,508
Total revenues	38,024,273	39,586,266	38,240,908	(1,345,358)
EXPENDITURES:				
Current:				
Instruction:				
Basic programs	15,860,300	17,480,361	17,945,251	(464,890)
Added needs	7,019,104	8,243,283	7,512,666	730,617
Adult and community education	920,358	1,300,045	1,341,782	(41,737)
Total instruction	23,799,762	27,023,689	26,799,699	223,990
Support services:				
Pupil	1,164,905	1,808,474	1,892,259	(83,785)
Instructional staff	2,523,374	2,870,774	2,576,056	294,718
General administration	934,256	1,079,230	1,104,431	(25,201)
School administration	1,761,888	1,536,997	1,511,494	25,503
Operations and maintenance	4,919,138	5,384,862	5,161,026	223,836
Pupil transportation services	1,294,168	1,506,200	1,630,294	(124,094)
Central	162,368	190,250	209,183	(18,933)
Business	1,071,569	1,130,050	1,537,386	(407,336)
Total support services	13,831,666	15,506,837	15,622,129	(115,292)
Community services	400,000	542,701	617,964	(75,263)
Total expenditures	38,031,428	43,073,227	43,039,792	33,435
DEFICIENCY OF REVENUES UNDER EXPENDITURES	(7,155)	(3,486,961)	(4,798,884)	(1,311,923)
OTHER FINANCING SOURCES (USES):				
Proceeds from capital lease			264,689	264,689
Operating transfers out	(360,000)	(729,251)	(1,076,251)	(347,000)
Total other financing uses	(360,000)	(729,251)	(811,562)	(82,311)
NET CHANGE IN FUND BALANCE	<u>\$ (367,155)</u>	<u>\$ (4,216,212)</u>	<u>(5,610,446)</u>	<u>\$ (1,394,234)</u>
FUND BALANCE (DEFICIT):				
Beginning of year			3,653,052	
End of year			<u>\$ (1,957,394)</u>	

ADDITIONAL INFORMATION

**OAK PARK SCHOOL DISTRICT
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUND TYPES
JUNE 30, 2006**

	<u>Special revenue</u>		<u>Debt service</u>			Total nonmajor governmental funds
	Food service fund	Athletics fund	2003 refunding	2004 refunding	Durant bond	
ASSETS						
ASSETS:						
Cash and cash equivalents	\$	\$ 119,298	\$ 209,778	\$ 186,249	\$	\$ 515,325
Inventories	6,624					6,624
Due from other funds	4,577		244,866	64,401		313,844
TOTAL ASSETS	<u>\$ 11,201</u>	<u>\$ 119,298</u>	<u>\$ 454,644</u>	<u>\$ 250,650</u>	<u>\$</u>	<u>\$ 835,793</u>
LIABILITIES AND FUND BALANCES						
LIABILITIES:						
Checks written against future deposits	\$ 50,015	\$	\$	\$	\$	\$ 50,015
Due to other funds	51,247	15,770	194,227	115,758		377,002
TOTAL LIABILITIES	<u>101,262</u>	<u>15,770</u>	<u>194,227</u>	<u>115,758</u>		<u>427,017</u>
FUND BALANCES (DEFICIT):						
Reserved for debt service			260,417	134,892		395,309
Undesignated	(90,061)	103,528				13,467
TOTAL FUND BALANCES (DEFICIT)	<u>(90,061)</u>	<u>103,528</u>	<u>260,417</u>	<u>134,892</u>		<u>408,776</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 11,201</u>	<u>\$ 119,298</u>	<u>\$ 454,644</u>	<u>\$ 250,650</u>	<u>\$</u>	<u>\$ 835,793</u>

OAK PARK SCHOOL DISTRICT
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUND TYPES
YEAR ENDED JUNE 30, 2006

	Special revenue		Debt service			Capital projects		Total nonmajor governmental funds
	Food service fund	Athletics fund	2003 refunding	2004 refunding	Durant bond	Capital projects	1999 Durant bond	
REVENUES:								
Local sources:								
Property taxes	\$	\$	\$ 1,696,510	\$ 645,250	\$	\$	\$	\$ 2,341,760
Investment income	87		2,725	5,033				7,845
Other	304,799	15,061						319,860
Total local sources	304,886	15,061	1,699,235	650,283				2,669,465
State sources	70,147				96,297			166,444
Federal sources	600,829							600,829
Total revenues	975,862	15,061	1,699,235	650,283	96,297			3,436,738
EXPENDITURES:								
Current :								
Athletics		325,698						325,698
Food service	1,265,923							1,265,923
Capital outlay						220,883	241,139	462,022
Debt service:								
Principal retirement			1,375,000	510,000	66,376			1,951,376
Interest and fiscal charges			181,225	47,713	29,921			258,859
Total expenditures	1,265,923	325,698	1,556,225	557,713	96,297	220,883	241,139	4,263,878
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(290,061)	(310,637)	143,010	92,570		(220,883)	(241,139)	(827,140)
OTHER FINANCING SOURCES:								
Operating transfers in	616,770	459,481						1,076,251
NET CHANGE IN FUND BALANCES	326,709	148,844	143,010	92,570		(220,883)	(241,139)	249,111
FUND BALANCES:								
Beginning of year	(416,770)	(45,316)	117,407	42,322		220,883	241,139	159,665
End of year	\$ (90,061)	\$ 103,528	\$ 260,417	\$ 134,892	\$	\$	\$	\$ 408,776

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 1998 DEBT
1998 SCHOOL IMPROVEMENT BONDS (DURANT)
YEAR ENDED JUNE 30, 2006**

<u>Year ending June 30,</u>	<u>Interest rate</u>	<u>Principal amount</u>	<u>Interest amount</u>	<u>Total</u>
2007	4.76%	\$ 69,521	\$ 26,761	\$ 96,282
2008		320,511	133,920	454,431
2009		76,318	19,982	96,300
2010		79,948	16,349	96,297
2011		83,756	12,542	96,298
2012		87,739	8,554	96,293
2013		91,914	4,376	96,290
		<u>\$ 809,707</u>	<u>\$ 222,484</u>	<u>\$ 1,032,191</u>

This bond, including the interest hereon, is issued in anticipation of payments appropriated and to be appropriated by the State under Section 11g(3) of Act 94 to the School District (the "State Aid Payments"). The School District hereby pledges and assigns to the Authority all of its rights to and in such State Aid Payments as security for this bond and the State Aid Payments which are hereby pledged shall be subject to a statutory lien in favor of the Authority as authorized by Act 94. This bond is self-liquidating bond and is not a general obligation of the School District and does not constitute an indebtedness of the School District within any constitutional or statutory limitation, and is payable both as to principal and interest, solely from such State Aid Payments. The School District, as requested by the Authority, hereby irrevocably authorized the payment of the State Aid Payments directly to the Authority's Depository.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF CAPITALIZED LEASES
YEAR ENDED JUNE 30, 2006**

\$633,073 capitalized leases dated May 18, 2005

<u>Principal due monthly</u>	<u>Interest due monthly</u>	<u>June 30,</u>	<u>Amount</u>
\$ 121,672	\$ 18,794	2007	\$ 140,466
126,835	13,632	2008	140,467
132,216	8,250	2009	140,466
<u>126,121</u>	<u>2,640</u>	2010	<u>128,761</u>
<u><u>\$ 506,844</u></u>	<u><u>\$ 43,316</u></u>		<u><u>\$ 550,160</u></u>

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF CAPITALIZED LEASES
YEAR ENDED JUNE 30, 2006**

\$514,689 capitalized leases dated May 1, 2006

Principal due monthly	Interest due monthly	June 30,	Amount
\$ 50,513	\$ 10,883	2007	\$ 61,396
52,875	8,520	2008	61,395
55,348	6,047	2009	61,395
57,937	3,458	2010	61,395
43,910	817	2011	44,727
<u>\$ 260,583</u>	<u>\$ 29,725</u>		<u>\$ 290,308</u>

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 2003 REFUNDING
YEAR ENDED JUNE 30, 2006**

\$8,410,000 Bonds issued March 7, 2003 for refinancing 1992 debt

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 1,385,000	\$ 73,300	\$ 73,300	2007	\$ 1,531,600
1,485,000	45,600	45,600	2008	1,576,200
1,555,000	23,325	23,325	2009	1,601,650
<u>\$ 4,425,000</u>	<u>\$ 142,225</u>	<u>\$ 142,225</u>		<u>\$ 4,709,450</u>

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF BONDED DEBT SERVICE REQUIREMENTS - 2004 REFUNDING
YEAR ENDED JUNE 30, 2006**

\$2,560,000 Bonds issued March 16, 2004 for refinancing 1994 debt

Principal due May 1,	Interest due		Debt service requirement for fiscal year	
	May 1,	November 1,	June 30,	Amount
\$ 545,000	\$ 18,631	\$ 18,631	2007	\$ 582,262
510,000	13,182	13,182	2008	536,364
495,000	6,806	6,806	2009	508,612
<u>\$ 1,550,000</u>	<u>\$ 38,619</u>	<u>\$ 38,619</u>		<u>\$ 1,627,238</u>

OAK PARK SCHOOL DISTRICT
ADDITIONAL REPORTS REQUIRED BY
OMB CIRCULAR A-133
YEAR ENDED JUNE 30, 2006

CONTENTS

	<u>Page</u>
Report on internal control over financial reporting and on compliance and other matters based on an audit of financial statements performed in accordance with <i>Government Auditing Standards</i>	1 - 2
Report on compliance with requirements applicable to each major program and internal control over compliance in accordance with OMB Circular A-133	3 - 4
Schedule of expenditures of federal awards	5 - 11
Notes to schedule of expenditures of federal awards.....	12
Schedule of findings and questioned costs	13 - 18
Schedule of prior year audit findings	19 - 20
Corrective action plan	21 - 22



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raack
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF
FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Education
Oak Park School District
Oak Park, Michigan

November 3, 2006

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oak Park School District as of and for the year ended June 30, 2006, which collectively comprise the Oak Park School District's basic financial statements and have issued our report thereon dated November 3, 2006. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered Oak Park School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect Oak Park School District's ability to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The reportable conditions are described in the accompanying schedule of findings and questioned costs as items 2006-01, 2006-02 and 2006-03.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable conditions, items 2006-01 and 2006-02, described above are material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Oak Park School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain additional matters that we reported to management of Oak Park School District in a separate letter dated November 3, 2006.

This report is intended solely for the information and use of the board of education, management, U.S. Department of Education and the Michigan Department of Education and is not intended to be and should not be used by anyone other than these specific parties.

Maner, Costinison & Ellis, P.C.

Certified Public Accountants



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

**REPORT ON COMPLIANCE WITH REQUIREMENTS
APPLICABLE TO EACH MAJOR PROGRAM
AND INTERNAL CONTROL OVER COMPLIANCE
IN ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Education
Oak Park School District
Oak Park, Michigan

November 3, 2006

Compliance

We have audited the compliance of Oak Park School District with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to its major federal programs for the year ended June 30, 2006. Oak Park School District's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of Oak Park School District's management. Our responsibility is to express an opinion on Oak Park School District's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about Oak Park School District's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on Oak Park School District's compliance with those requirements.

In our opinion, Oak Park School District complied in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended June 30, 2006. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements that are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as item 2006-04.

Internal Control Over Compliance

The management of Oak Park School District is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered Oak Park School District's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

We noted a certain matter involving the internal control over compliance and its operation that we consider to be a reportable condition. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over compliance that, in our judgment, could adversely affect Oak Park School District's ability to administer a major federal program in accordance with the applicable requirements of laws, regulations, contracts and grants. The reportable condition is described in the accompanying schedule of findings and questioned costs as item 2006-05.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with the applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe the reportable condition (2006-05) is a material weakness.

Schedule of Expenditures of Federal Awards

We have audited the financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of Oak Park School District as of and for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006. Our audit was performed for the purpose of forming an opinion on the financial statements that collectively comprise Oak Park School District's basic financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by OMB Circular A-133 and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the financial statements taken as a whole.

This report is intended for the information of the board of education, management and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specific parties.

Maner, Costurison & Ellis, P.C.

Certified Public Accountants

OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through project number	Program or award amount	Accrued (deferred) revenue July 1, 2005	(Memo only) prior year expenditures	Current year expenditures	Current year cash/payments in-kind received	Accrued (deferred) revenue June 30, 2006
<u>U.S. DEPARTMENT OF AGRICULTURE</u>								
Passed Through the Michigan Department of Education:								
Food Distribution:	10.550							
Entitlement Commodities			\$ 55,967	\$	\$	\$ 55,967	\$ 55,967	\$
Bonus Commodities			4,410			4,410	4,410	
Total Food Distribution			60,377			60,377	60,377	
Child Nutrition Cluster:								
National School Breakfast Program	10.553	051970	12,379			12,379	12,379	
National School Breakfast Program		061970	85,173			85,173	85,173	
			97,552			97,552	97,552	
National School Lunch Program - Section 4	10.555	051950	8,389			8,389	8,389	
National School Lunch Program - Section 4		061950	53,523			53,523	53,523	
National School Lunch Program - Section 11		051960	51,381			51,381	51,381	
National School Lunch Program - Section 11		061960	329,607			329,607	329,607	
			442,900			442,900	442,900	
Total Child Nutrition Cluster			540,452			540,452	540,452	
TOTAL U.S. DEPARTMENT OF AGRICULTURE			600,829			600,829	600,829	
<u>U.S. DEPARTMENT OF EDUCATION</u>								
Passed Through Michigan Department of Education:								
Title I:	84.010							
Title I - 2% Schoolwide Planning Grant		041520-0405	12,000	11,100	11,550		11,100	
Title I - Part A Improving Basic Programs (03-04 c/o)		041530-0405	314,365	5,865	301,924	1,162	7,027	
Title I - 2% Schoolwide Planning Grant		041550-0405	45,000	13,819	39,531	8,437	22,256	
Title I - Part A Improving Basic Programs		051530-0405	857,269	267,685	585,787	216,327	484,012	
Title I - Part A Improving Basic Programs (04-05 c/o)		051530-0506	101,319			101,319	47,370	53,949
Title I - Part A Improving Basic Programs		061530-0506	752,456			659,516	370,700	288,816
Title I -ESEA 2% School Improvement		051550-0506	45,000			45,000	30,986	14,014
Total Title I			2,127,409	298,469	938,792	1,031,761	973,451	356,779

The accompanying notes are an integral part of this schedule.

OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through project number	Program or award amount	Accrued (deferred) revenue July 1, 2005	(Memo only) prior year expenditures	Current year expenditures	Current year cash/payments in-kind received	Accrued (deferred) revenue June 30, 2006
U.S. DEPARTMENT OF EDUCATION (Continued)								
Passed Through Michigan Department of Education:								
Drug Free Schools & Communities:	84.186							
Safe & Drug Free Schools		052860-0405	\$ 29,228	\$	\$ 28,956	\$ 27,224	\$ 27,224	\$
Safe & Drug Free Schools		062860-0506	26,900			9,435		9,435
Total Drug Free Schools & Communities			56,128		28,956	36,659	27,224	9,435
Title V Innovative Education Grant:	84.298							
Title V - Part A Innovative Programming		040250-0405	15,930	4,813	10,461	5,347	10,160	
Title V - Part A Innovative Programming		050250-0405	15,930		2,551	13,229	13,229	
Title V - Part A Innovative Programming (04-05 c/o)		050250-0506	1,093			1,093		1,093
Title V - Part A Innovative Programs		060250-0506	10,273			9,884	4,508	5,376
Total Title V Innovative Education Grant			43,226	4,813	13,012	29,553	27,897	6,469
Technology Literacy Challenge Grants:	84.318							
Title II - Part D Ed Tech		044290-0405	18,017	15,517	16,854		15,517	
Title II - Part D Ed Tech		044290-0405	21,603			2,141	549	1,592
Title II - Part D Enhancing Education Through Technology (04-05 c/o)		054290-0506	21,054			21,053		21,053
Title II - Part D Enhancing Education Through Technology		064290-0506	13,895			10,420		10,420
Total Technology Literacy Challenge Grants			74,569	15,517	16,854	33,614	16,066	33,065
Reading First State Grants:	84.357							
Reading First State Grants		052930-030402	308,175	36,703	295,808		(259,410)	296,113
Reading First State Grants - Continuation Grant		042930-030402	11,650			11,650	11,650	
Reading First State Grants		052930-0506	225,000			225,000	191,816	33,184
Total Reading First State Grants			544,825	36,703	295,808	236,650	(55,944)	329,297

The accompanying notes are an integral part of this schedule.

OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through project number	Program or award amount	Accrued (deferred) revenue July 1, 2005	(Memo only) prior year expenditures	Current year expenditures	Current year cash/payments in-kind received	Accrued (deferred) revenue June 30, 2006
<u>U.S. DEPARTMENT OF EDUCATION (Continued)</u>								
Passed Through Michigan Department of Education:								
English Language Acquisition:	84.365							
Title III - Limited English		040580-0405	\$ 18,326	\$ 653	\$ 4,416	\$	\$ 653	\$
Title III - Limited English		050580-0405	27,700	11,542	11,542		11,542	
Title III - Limited English (04-05 c/o)		050580-0506	15,979			15,979		15,979
Title III - Limited English		060580-0506	29,976			24,568	586	23,982
Total English Language Acquisition			91,981	12,195	15,958	40,547	12,781	39,961
Elementary and Secondary Education Hurricane Relief-Katrina 2006	84.938C	064120/1-0506	7,011			7,011		7,011
Comprehensive School Reform Demonstration	84.332	041870-0506	38,000			38,000	38,000	
Comprehensive School Reform Demonstration		051870-0506	78,847			55,978	50,475	5,503
Total Comprehensive School Reform			116,847			93,978	88,475	5,503
Improving Teacher Quality:	84.367							
Title II - Part A Teacher Quality		050520-0405	273,201	84,333	210,001	26,136	110,469	
Title II - Part A Teacher/Principal Training and Recruiting (04-05 c/o)		050520-0506	35,826			29,599	(5,183)	34,782
Title II - Part A Teacher/Principal Training and Recruiting		060520-0506	267,814			241,792	146,463	95,329
Total Improving Teacher Quality			576,841	84,333	210,001	297,527	251,749	130,111
Total Passed Through the Michigan Department of Education			3,638,837	452,030	1,519,381	1,807,300	1,341,699	917,631
Passed Through Wayne State University:								
Michigan Preschoolers Acquiring Language and Literacy:	84.359							
Early Reading First		WSU05022-0506	129,035			107,053	48,972	58,081

The accompanying notes are an integral part of this schedule.

OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through project number	Program or award amount	Accrued (deferred) revenue July 1, 2005	(Memo only) prior year expenditures	Current year expenditures	Current year cash/payments in-kind received	Accrued (deferred) revenue June 30, 2006
U.S. DEPARTMENT OF EDUCATION (Concluded)								
Passed Through Oakland County Intermediate School District:								
Special Education Cluster:								
Special Education - Grants to States:	84.027							
Flow Through (02-03)		030450-0203	\$ 368,945	\$ 15,770	\$ 42,245	\$	\$ 15,770	\$
Flow Through (03-04)		040450-0304	441,640	11,638	174,435		11,638	
Flow Through (04-05)		050450-0405	526,104	97,883	399,567		97,883	
Flow Through (04-05 yr 2)		050450-0506	221,678			221,678	91,293	130,385
Flow Through (05-06 yr 1)		060450-0506	509,971			459,270	84,321	374,949
Total Special Education - Grants to States			2,068,338	125,291	616,247	680,948	300,905	505,334
Special Education - Preschool Grants:								
Preschool Incentive (04-05 yr 2)	84.173	050460-0506	12,841			12,841		12,841
Preschool Incentive (05-06 yr 1)		060460-0506	16,061			2,261		2,261
Total Special Education - Preschool Grants			28,902			15,102		15,102
Total Special Education Cluster			2,097,240	125,291	616,247	696,050	300,905	520,436
Vocational Education - Basic Grants to States:								
Perkins Secondary Regional Allocation	84.048	053520-501218	15,696	4,206	12,315		4,206	
Perkins Secondary Regional Allocation		063520/601218	14,612			13,212	9,422	3,790
Total Vocational Education - Basic Grants to States			30,308	4,206	12,315	13,212	13,628	3,790
Total Passed Through Oakland Intermediate School District			2,127,548	129,497	628,562	709,262	314,533	524,226
TOTAL U.S. DEPARTMENT OF EDUCATION			5,895,420	581,527	2,147,943	2,623,615	1,705,204	1,499,938
U.S. EMPLOYMENT & TRAINING ADMINISTRATION								
Passed Through Oakland County:								
Workforce Investment Act Cluster:								
Workforce Investment Act - One Stop Delivery (04-05)	17.260		60,500	4,404	41,767		4,404	
Workforce Investment Act - One Stop Delivery (05-06)			34,213			34,213	23,578	10,635
Total WIA - One Stop Delivery			94,713	4,404	41,767	34,213	27,982	10,635

The accompanying notes are an integral part of this schedule.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through project number	Program or award amount	Accrued (deferred) revenue July 1, 2005	(Memo only) prior year expenditures	Current year expenditures	Current year cash/payments in-kind received	Accrued (deferred) revenue June 30, 2006
U.S. EMPLOYMENT & TRAINING ADMINISTRATION (Continued)								
Passed Through Oakland County								
Administrative Cost Pool:	17.258							
Administrative Cost Pool (05-06)			\$ 32,265	\$	\$	\$ 32,265	\$ 25,102	\$ 7,163
Workforce Investment Act - Adult (04-05)	17.258	adult	149,705	13,360	140,171		13,360	
Workforce Investment Act - Adult (05-06)			225,753			225,753	143,438	82,315
Total WIA - Adult			375,458	13,360	140,171	225,753	156,798	82,315
Workforce Investment Act - Youth (04-05)	17.259		72,416	51,990	67,862		51,990	
Workforce Investment Act - Youth (05-06)			65,528			65,528	60,743	4,785
Total WIA - Youth			137,944	51,990	67,862	65,528	112,733	4,785
Workforce Investment Act - Incumbent Worker:	17.260							
Incumbent Worker (04-05)			89,242	89,242			89,242	
Incumbent Worker (05-06)			117,971			117,791	64,241	53,550
Total WIA - Incumbent Worker			207,213	89,242		117,791	153,483	53,550
Workforce Investment Act Cluster:								
REED - One Stop Delivery (05-06)	17.260		28,092			28,092	28,092	
Workforce Investment Act - Dislocated Worker (04-05)	17.260	dislocated worker	199,510	12,263	183,162		12,263	
Workforce Investment Act - Dislocated Worker (05-06)			262,563			262,563	199,161	63,402
Total WIA - Dislocated Worker			462,073	12,263	183,162	262,563	211,424	63,402
Total Workforce Investment Act Cluster			1,337,758	171,259	432,962	766,205	715,614	221,850

The accompanying notes are an integral part of this schedule.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through project number	Program or award amount	Accrued (deferred) revenue July 1, 2005	(Memo only) prior year expenditures	Current year expenditures	Current year cash/payments in-kind received	Accrued (deferred) revenue June 30, 2006
<u>U.S. EMPLOYMENT & TRAINING ADMINISTRATION (Concluded)</u>								
Passed Through Oakland County:								
Employment Services:	17.207							
Employment Services (05-06)			\$ 259,896	\$	\$	\$ 259,896	\$ 223,562	\$ 36,334
Re-employment Services:	17.207	re-employment						
Re-employment Services (05-06)			17,932		21,620	17,932	7,616	10,316
Welfare to Work:	17.253							
Welfare to Work - 70% (03-04)			21,251	21,251			21,251	
Welfare to Work - 30% (03-04)			25,823	25,823			25,823	
Total Welfare to Work			47,074	47,074			47,074	
TOTAL U.S. EMPLOYMENT & TRAINING ADMINISTRATION			1,662,660	218,333	454,582	1,044,033	993,866	268,500
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES</u>								
Passed through Oakland County:								
Work First:	93.558							
Work First (04-05)			513,435	32,922	138,189		32,922	
Work First (05-06)			285,850			285,446	249,911	35,535
Total Work First			799,285	32,922	138,189	285,446	282,833	35,535
Work First Employment Related Services:	93.558							
Work First Employment Related Services (05-06)			12,303			12,303	12,303	
Total Passed Through Oakland County			811,588	32,922	138,189	297,749	295,136	35,535

The accompanying notes are an integral part of this schedule.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

Federal grantor/pass-through grantor program title	Federal CFDA number	Pass-through project number	Program or award amount	Accrued (deferred) revenue July 1, 2005	(Memo only) prior year expenditures	Current year expenditures	Current year cash/payments in-kind received	Accrued (deferred) revenue June 30, 2006
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Concluded):</u>								
Passed through Michigan Department of Education:								
Refugee Children School Impact Grant:	93.576							
Refugee Grants		051840-0405	\$ 835	\$	\$ 385	\$ 455	\$ 455	\$
Passed through the Oakland/Livingston Human Services Agency:								
Head Start:	93.600							
Head Start 2005		CDD HS 05-017	378,310	116,614		191,710	308,324	
Head Start 2006		CFS HS 06 053	374,527			190,451		190,451
Total Head Start			752,837	116,614		382,161	308,324	190,451
Passed through Oakland Intermediate School District:								
Medicaid	93.778		7,272			7,272	7,272	
Transportation			7,531			7,531	7,531	
			14,803			14,803	14,803	
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			1,580,063	149,536	138,574	695,168	618,718	225,986
TOTAL FEDERAL AWARDS			\$ 9,738,972	\$ 949,396	\$ 2,741,099	\$ 4,963,645	\$ 3,918,617	\$ 1,994,424

The accompanying notes are an integral part of this schedule.

**OAK PARK SCHOOL DISTRICT
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2006**

NOTES:

1. Basis of presentation - The accompanying schedule of expenditures of federal awards includes the grant activity of Oak Park School District and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with OMB Circular A-133 and reconciles with the amounts presented in the preparation of the financial statements.
2. The following programs were audited as major programs:
 - Child Nutrition Cluster, CFDA #10.553 and #10.555
 - Title I, CFDA #84.010
 - Special Education Cluster, CFDA #84.027 and #84.173
 - Workforce Investment Act Cluster CFDA #17.258, #17.259 and #17.260
3. The threshold for distinguishing Types A and B programs was \$300,000.
4. Management has utilized the Grant Section Auditors' Report (Form R7120) in preparing the Schedule of Expenditures of Federal Awards.
5. Federal expenditures are reported as revenue in the following funds in the financial statements:

General fund	\$ 4,362,816
Other nonmajor governmental funds	<u>600,829</u>
Total per financial statements	4,963,645
Less: deferred revenue for amounts not available	<u>501,486</u>
	<u><u>\$ 4,462,159</u></u>

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section I - Summary of Auditor's Results

Financial Statements

Type of auditors' report issued:

Unqualified

Internal control over financial reporting:

➤ Material weakness(es) identified? X Yes No

➤ Reportable condition(s) identified that are not considered to be material weaknesses? X Yes No

Noncompliance material to financial statements noted? Yes X No

Federal Awards

Internal control over major programs:

➤ Material weakness(es) identified? X Yes No

➤ Reportable condition(s) identified that are not considered to be material weakness(es)? Yes X None reported

Type of auditors' report issued on compliance for major programs:

Unqualified

Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133?

 X Yes No

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Cluster
10.553 and 10.555	Child Nutrition Cluster
84.010	Title I
84.027 and 84.173	Special Education Cluster
17.258, 17.259 and 17.260	Workforce Investment Act Cluster

Dollar threshold used to distinguish between type A and type B programs:

\$300,000

Auditee qualified as a low risk auditee?

 Yes X No

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section II - Financial Statement Findings

Reportable Condition 2006-01 - Considered a material weakness

Criteria

Bank reconciliations should be prepared and adjusted to the general ledger in a timely manner.

Condition

During the year, month-end reconciliations were not completed in a timely manner.

Context

Failure to complete bank reconciliations in a timely manner increases the risk that transactions may be posted incorrectly or inappropriately and not be detected in a timely manner.

Effect

Inaccurate financial information may be used for management decisions. Unauthorized transactions may not be detected in a timely manner.

Cause

Staffing levels and priorities did not require this procedure to be completed timely.

Recommendation

It is our understanding the District streamlined its banking process which will facilitate the completion of bank reconciliation in a timely manner for the 2007 fiscal year.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section II - Financial Statement Findings

Reportable Condition 2006-02 - Considered a material weakness

Criteria

Documentation should be retained to support cash disbursements.

Condition

Of the 70 disbursements specifically selected for transaction testing, supporting documentation could not be located for 6 items. Furthermore, 3 of the 64 documented items did not have proper approvals.

Context

Supporting documentation was not available.

Effect

Unsubstantiated or unapproved expenses could be paid.

Cause

Inadequate filing procedures and document retention policies.

Recommendation

The District should review its record retention policy and filing systems to ensure proper documentation is retained. Also, purchase orders and vendor invoices should be reviewed for proper approval before the disbursements are processed.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section II - Financial Statement Findings

Reportable Condition 2006-03

Criteria

Payroll should be reviewed for accuracy prior to the issuance of pay checks.

Condition

Payroll is not reviewed and approved for payment in a consistent manner.

Context

We noted that two of the 60 employees tested were paid the incorrect amount.

Effect

Employees are paid an incorrect amount.

Cause

Over reliance on payroll system for accuracy.

Recommendation

Payroll should be reviewed for accuracy before each pay date.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section III - Federal Award Findings and Questioned Costs

Noncompliance Finding - 2006-04

Criteria

In accordance with OMB Circular A-87, Attachment B, if an employee is charged solely to one federal program, Oak Park School District is required to obtain certifications twice a year, signed by the employee or supervisor official having first hand knowledge of the work performed by the employee.

Condition

Oak Park School District did not obtain semiannual certifications signed by the employee or supervisory official for employees charged solely to the IDEA federal program.

Questioned Costs

None

Context

The District had other evidence/documentation supporting that the service was provided by the employees.

Effect

No actual errors were detected during our testing.

Cause of Condition

Signed certifications are required as part of the documentation of services provided by employees charged solely to one program.

Recommendation

We recommend the District obtain employee certification for employees who work solely on federally funded activities at least twice during the year. These certifications should be signed by the employee or supervisor having first hand knowledge of the work performed by the employee.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2006**

Section III - Federal Award Findings and Questioned Costs

Noncompliance Finding - 2006-05 - Material Weakness

Criteria

In accordance with OMB Circular A-87, Attachment A(c)(1)(j), costs charged to federal programs must be adequately documented.

Condition

The District did not maintain documentation of all items charged to federal programs.

Questioned Costs

\$2,891 (\$1,566 + \$1,325)

Context

Documentation could not be located for two of the 10 cash disbursements selected for testing.

Effect

Costs were charged to federal programs without adequate documentation.

Cause of Condition

Inconsistencies in records retention and filing systems.

Recommendation

The District should review its records retention system and update procedures where necessary to insure proper retention of required documentation.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

Finding 2005-01 Material weakness

Condition

The School District failed to reconcile its bank account activity in a timely fashion.

Recommendation

The timely reconciliation of bank accounts is an important step in safeguarding School District assets.

Current Status

See Finding 2006-01.

Finding 2005-02 Material weakness

Condition

Major balance sheet, revenue and expenditure accounts were not reviewed and adjusted monthly.

Recommendation

All significant accounts should be reviewed and adjusted monthly.

Current Status

Significant accounts are now being reviewed and adjusted on a monthly basis.

**OAK PARK SCHOOL DISTRICT
SCHEDULE OF PRIOR FINDINGS
FOR THE YEAR ENDED JUNE 30, 2006**

Finding 2005-03 Material weakness

Condition

The payroll system does not contain the proper segregation of duties related to initiating, recording, processing, and reviewing transactions.

Recommendation

Part of an adequate internal control would include segregation of duties of the above-mentioned duties.

Current Status

The process of entering new employees has been reassigned to an employee independent of the payroll function.

Finding 2005-04 Noncompliance

Condition

Oak Park School District did not obtain semiannual certification for employees charged to the IDEA federal program.

Recommendation

Semiannual certification should be obtained from all employees charged solely to one federal program.

Current Status

See current year Finding 2006-04.

**OAK PARK SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
NOVEMBER 3, 2006
CONTACT PERSON: MARIA BOLEN
OVERSIGHT AGENCY: U.S. DEPARTMENT OF EDUCATION**

Oak Park School District respectfully submits the following corrective action plan for the year ended June 30, 2006.

Auditor: Maner, Costerisan & Ellis, P.C.
544 Cherbourg Drive, Suite 200
Lansing, Michigan 48917-5010

Audit Period: Year ended June 30, 2006

The findings from the June 30, 2006 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding – Financial statement audit

Reportable condition considered a material weakness 2006-01.

Recommendation: The District should complete bank reconciliations in a timely manner.

Action to be taken: We concur with the recommendation. We have streamlined our banking system which will facilitate timely bank reconciliation.

Finding – Financial statement audit

Reportable condition considered a material weakness 2006-02.

Recommendation: The District should review its record retention policy and filing systems to ensure proper documentation is retained. Also, purchase orders and vendor invoices should be reviewed for proper approval before the disbursements are processed.

Action to be taken: We concur with the recommendation.

**OAK PARK SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
NOVEMBER 3, 2006
CONTACT PERSON: MARIA BOLEN
OVERSIGHT AGENCY: U.S. DEPARTMENT OF EDUCATION**

Finding – Financial statement audit

Reportable condition 2006-03.

Recommendation: Payroll should be reviewed for accuracy before each pay date.

Action to be taken: We concur with the recommendation.

Finding – Federal award audit

Noncompliance 2006-04

Recommendation: The District should obtain employee certifications for employees who work solely on federally funded activities at least twice during the year. These certifications should be signed by the employee or supervisor having first hand knowledge of the work performed by the employee.

Action to be taken: The District has hired a new special education director to replace the person who previously held that position. The former special education director had missed many days of work due to illness and eventually retired from the position. It is the District's intent that this new person would remedy this situation and that it will not continue to occur in future years.

Finding – Federal award audit

Reportable condition considered material weakness, 2006-05

Recommendation: The District review records retention system and update procedures where necessary to insure proper retention of required documentation.

Action to be taken: We concur with the recommendation.



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raeck
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

November 3, 2006

To the Board of Education
Oak Park School District
Oak Park, Michigan

In planning and performing our audit of the financial statements of Oak Park School District for the year ended June 30, 2006, we considered the District's internal control in order to determine our auditing procedures for the purpose of expressing an opinion on the financial statements and not to provide assurance on internal control.

However, we noted certain matters involving the internal control and its operation that we consider to be reportable conditions under standards established by the American Institute of Certified Public Accountants. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control that, in our judgment, could adversely affect the organization's ability to initiate, record, process and report financial data consistent with the assertions of management in the financial statements.

Reconcile Bank Accounts on a Timely Basis

Bank statements, in some instances, were accumulated for several months before they were reconciled. Not reconciling the accounts on a monthly basis means that errors or other issues might not be recognized and resolved on a timely basis. Also, it is generally easier and less time-consuming to reconcile accounts while transactions are fresh rather than several months later. We recommend that all bank accounts be reconciled each month prior to preparation of the monthly financial statements.

Missing Documentation and Approval

During the audit, transactions were selected for testing. Of the 70 cash disbursements selected for testing supporting documentation was unable to be located for 6 transactions. Of the 64 transactions with supporting documentation, three did not have proper approval. This could cause unsubstantiated or unapproved expenses to be paid. The District should review its record retention policy and filing system to ensure proper documentation is retained. Also, purchase orders and vendor invoices should be reviewed for proper approval before the disbursements are processed.

Payroll

Payroll should be reviewed for accuracy prior to the issuance of pay checks. We noted two of the 60 employees we tested were paid the incorrect amount. Although the differences were not significant, employees should be paid the correct amount per hour for hours worked.

Fund Balance Deficit

At the end of the 2006 school year, the District has a deficit fund balance in the general fund. The District should prepare a deficit elimination plan and develop an overall plan on correcting the deficit fund balance. Also, the District should contact the Michigan Department of Education so that they can follow all of the necessary procedures in filing their deficit elimination plan properly with the Michigan Department of Education.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions.

Our consideration of internal control would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses as defined above. However, we believe that untimely bank reconciliations and not maintaining proper documentation are material weaknesses.

Grant Revenue

Approximately \$500,000 of revenue was not recognized in the general fund in the current year because it was not applied for and received within 60 days of the end of the current fiscal year. Instead, it was recorded as deferred revenue and will be recognized as revenue in the 2006-07 school year. The District should request funds so that they can be received within 60 days of the year end. This would also help the District with cash flow needs.

Semiannual Certifications

In accordance with OMB Circular A-87, Attachment B, if an employee is charged solely to one federal program, Oak Park School District is required to obtain certifications twice a year, signed by the employee or supervisor official having first hand knowledge of the work performed by the employee. Oak Park School District did not obtain semiannual certifications signed by the employee or supervisory official for employees charged solely to the IDEA federal program. We recommend the District obtain employee certification for employees who work solely on federally funded activities at least twice during the year. These certifications should be signed by the employee or supervisor having first hand knowledge of the work performed by the employee.

Payment of Property Tax Collections to the Sinking Fund

During the year, the property taxes collected for the sinking fund were accumulated in the general fund. At year-end, a transfer was made from the general fund to the sinking fund for the property taxes collected and an estimated amount of interest. Property tax collections should be transferred to the sinking fund on a more timely basis (monthly).

Food Service

The food service has been carrying a deficit fund balance for several years. Ultimately, the general fund is responsible for the deficit and the commitment is not currently recognized within the general fund's fund balance. During the year, the general fund transferred additional amounts to decrease the deficit to \$90,000. Transfers from the general fund should continue to be made to eliminate the remaining deficit balance in the food service fund.

Durant Capital Project Fund

The District has spent all of the funds available from the Durant settlement with the State of Michigan. The District should contact the Michigan Department of Treasury regarding whether the District needs to have a separate audit pursuant to Section 1351a(2) of Acts 451 of the Public Acts of 1976.

Budgeting

Certain line items exceeded the budgeted amount as disclosed in the combined statement of revenues, expenditures and changes in fund balance - budget and actual. This is a technical violation of the Uniform Budgeting and Accounting Act (1968 PA 2).

Cash Management - Federal Awards

The Michigan Department of Education has recently been notified that it, along with all other states, has misinterpreted the advance provision of the Cash Management Improvement Act (CMIA). The United States Department of Education started monitoring and auditing CMIA compliance and is notifying sub-recipients that advances are limited to three days cash needs. In other words, funds must be spent by the district within 72 hours of being drawn down from the USDE GAPS system. Because of this new awareness, the department will no longer allow 30-day cash advances for ongoing programs during FY 2006/2007. Thirty-day cash advances may be permitted for new one-time federal grant programs at the discretion of program management. We suggest the District request funds on a reimbursement basis in order to ensure compliance with the cash management requirements.

Budget Enforcement by the Michigan Department of Education

The Michigan Department of Education is changing their enforcement and monitoring of budget violations. They are currently focusing on total expenditure violations that exceed 1% of the total expenditures budget and total other financing uses that exceed 1% of the total other financing uses budget. The Department of Education will be issuing letters to school board presidents, the superintendent and the chief business official when they identify these types of violations.

Currently identified violations of the Act include, but are not limited to:

- Incurring expenditures in excess of the appropriation approved by the school board (Overspending your budget by line item).
- Ending the fiscal year with a deficit (negative fund balance).
- Adopting a budget that, when implemented, would put the district in a deficit.

The Department is also currently reviewing their interpretation of Section 17(2). This would be a situation where a district's actual revenues were less than budgeted revenues and, at the same time, depleted the district fund balance, beyond what was approved in total by the school board.

We recommend you continue to review your current budget amendments during the year. There will be situations where there continue to be budget violations as disclosed in footnote 2 subsection 3 of the financial statements. While there may be technical violations of the Act, we believe the District's current budget procedures are adequate.

New Auditing Standards

Recently, 10 new auditing standards have been released and will become effective over the District's next two fiscal years. In reviewing the new standards, we do not believe, for the most part, they will have a significant impact on our overall audit approach. However, two of the new standards may directly impact the District beginning with the June 30, 2007 year-end.

One of the new standards revises the dating of the auditors' report. Under the old standards, the auditors' report was dated the last day of fieldwork. The new standards define the date as the date adequate audit evidence is obtained. Adequate audit evidence is now being interpreted as including the client's approval of draft financial statements. Although the dating of the report may seem trivial to non-auditors, it does have an impact on auditors' subsequent events work (June 30 through date of the auditors' report). The impact to the District could be if there was a long period of time needed to resolve certain open issues. This would extend the dating of the auditors' report and increase the amount of work we need to complete our subsequent events work.

To the Board of Education
Oak Park School District
Oak Park, Michigan

7

November 3, 2006

Another standard effective for the June 30, 2007 year-end is related to our communications with the client. The new standard retained the definition of a "material weakness" and added two new categories of deficiencies "significant deficiency" and "control deficiency". Certain situations were included as examples of strong indicators of significant deficiencies and possibly material weaknesses. One of the situations is the client is unable to write financial statements, including the footnotes, in accordance with generally accepted accounting principles. Historically, we have prepared the financial statements and footnotes for the District. We will have to evaluate the District's ability to produce appropriate financial statements and footnotes and, accordingly, if any control deficiencies exists.

We will review the status of these comments during our next audit engagement. We have already discussed many of these comments and suggestions with various District personnel, and we will be pleased to discuss them in further detail at your convenience, to perform any additional study of these matters, or to assist you in implementing the recommendations.

This report is intended solely for the information and use of Oak Park School District, management, and others within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the cooperation we received from your staff during our engagement and the opportunity to be of service.

Very truly yours,

Maner, Costurison & Ellis, P.C.



Lamonte T. Lator
Bruce J. Dunn
Jeffrey C. Stevens
Linda I. Schirmer
Steven W. Scott
David M. Raack
Robert E. Miller, Jr.
Steven B. Robbins
James E. Nyquist
James R. Dedyne

Timothy H. Adams
David B. Caldwell
Edward L. Williams, III
Timothy J. Orians
Dennis D. Theis

Walter P. Maner, Jr. (1921-2004)
Floyd L. Costerisan
Leon A. Ellis (1933-1988)

November 3, 2006

To the Board of Education
Oak Park School District
Oak Park, Michigan

We have audited the financial statements of the Oak Park School District for the year ended June 30, 2006, and have issued our report thereon dated November 3, 2006. Professional standards require that we provide you with the following information related to our audit.

1. Our Responsibility under U.S. Generally Accepted Auditing Standards and OMB Circular A-133

As stated in our engagement letter, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance about whether the financial statements are free of material misstatement and are fairly presented in accordance with accounting standards generally accepted in the United States of America. Because an audit is designed to provide reasonable, but not absolute assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatements may exist and not be detected by us.

In planning and performing our audit, we considered the Oak Park School District's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide assurance on the internal control over financial reporting. We also considered internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

As part of obtaining reasonable assurance about whether the Oak Park School District's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit. Also, in accordance with OMB Circular A-133, we examined, on a test basis, evidence about the Oak Park School District's compliance with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement applicable to each of its major federal programs for the purpose of expressing an opinion on the Oak Park School District's compliance with those requirements. While our audit provides a reasonable basis for our opinion, it does not provide a legal determination on the Oak Park School District's compliance with those requirements.

2. Significant Accounting Policies

Management has the responsibility for selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Oak Park School District are described in Note 1 to the financial statements. We noted no transactions entered into by the Oak Park School District during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

3. Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates affecting the financial statements were the estimated liability for compensated absences and claims and judgments and estimated fixed asset lives for depreciation.

Management's estimate of the liability of the payout for employee compensated absences upon their retirement is based on expected payout; the balance reported was \$1,452,044. We evaluated the key factors and assumptions used to develop the balance of compensated absences and claims and judgments in determining that it is reasonable in relation to the financial statements taken as a whole.

Certain amounts included as capital assets have been estimated. Certain allocations on the statement of activities allocating operating grants between instruction and support services have been used in preparing this statement.

4. Audit Adjustments

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Oak Park School District's financial reporting process (that is, cause future financial statements to be materially misstated). During the current audit, numerous adjustment were proposed. The management of the District has reviewed and approved these adjustments

5. Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

6. Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the governmental unit's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

7. Issues Discussed Prior to Retention of Independent Auditors

We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management each year prior to retention as the Oak Park School District's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

To the Board of Education
Oak Park School District
Oak Park, Michigan

4

November 3, 2006

8. Difficulties Encountered in Performing the Audit

As described above, numerous adjustments were proposed as a result of our audit procedures.

This information is intended solely for the use of the board of education, management and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the opportunity to be of service and would be happy to discuss the foregoing items at your convenience.

Very truly yours,

Maner, Costinison & Ellis, P.C.

**OAK PARK SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
NOVEMBER 3, 2006
CONTACT PERSON: MARIA BOLEN
OVERSIGHT AGENCY: U.S. DEPARTMENT OF EDUCATION**

Oak Park School District respectfully submits the following corrective action plan for the year ended June 30, 2006.

Auditor: Maner, Costerisan & Ellis, P.C.
544 Cherbourg Drive, Suite 200
Lansing, Michigan 48917-5010

Audit Period: Year ended June 30, 2006

The findings from the June 30, 2006 schedule of findings and questioned costs are discussed below. The findings are numbered consistently with the number assigned in the schedule.

Finding – Financial statement audit

Reportable condition considered a material weakness 2006-01.

Recommendation: The District should complete bank reconciliations in a timely manner.

Action to be taken: We concur with the recommendation. We have streamlined our banking system which will facilitate timely bank reconciliation.

Finding – Financial statement audit

Reportable condition considered a material weakness 2006-02.

Recommendation: The District should review its record retention policy and filing systems to ensure proper documentation is retained. Also, purchase orders and vendor invoices should be reviewed for proper approval before the disbursements are processed.

Action to be taken: We concur with the recommendation.

**OAK PARK SCHOOL DISTRICT
CORRECTIVE ACTION PLAN
NOVEMBER 3, 2006
CONTACT PERSON: MARIA BOLEN
OVERSIGHT AGENCY: U.S. DEPARTMENT OF EDUCATION**

Finding – Financial statement audit

Reportable condition 2006-03.

Recommendation: Payroll should be reviewed for accuracy before each pay date.

Action to be taken: We concur with the recommendation.

Finding – Federal award audit

Noncompliance 2006-04

Recommendation: The District should obtain employee certifications for employees who work solely on federally funded activities at least twice during the year. These certifications should be signed by the employee or supervisor having first hand knowledge of the work performed by the employee.

Action to be taken: The District has hired a new special education director to replace the person who previously held that position. The former special education director had missed many days of work due to illness and eventually retired from the position. It is the District's intent that this new person would remedy this situation and that it will not continue to occur in future years.

Finding – Federal award audit

Reportable condition considered material weakness, 2006-05

Recommendation: The District review records retention system and update procedures where necessary to insure proper retention of required documentation.

Action to be taken: We concur with the recommendation.